

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH MERCER WATER	)	
DISTRICT FOR A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY TO	)	CASE NO. 2011-00171
CONSTRUCT AND FINANCE PURSUANT TO THE	)	
PROVISIONS OF KRS 278.023	)	

ORDER

On May 13, 2011, North Mercer Water District ("North Mercer") applied to the Commission for a Certificate of Public Convenience and Necessity to construct a \$1,547,000 waterworks improvement project and for approval of its plan to finance the proposed project.

North Mercer proposes to construct or install approximately 1,370 linear feet of 12-inch water main; 4,760 linear feet of 10-inch water main; 22,700 linear feet of 8-inch water main; 20,500 linear feet of 6-inch water main; 400 linear feet of 4-inch water main; three booster pumping stations; a connection to the City of Danville's water system, and related appurtenances. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$1,547,000. North Mercer states that the proposed project will improve water supply to portions of North Mercer's distribution system that are experiencing problems meeting system demand during high usage periods, will replace water mains that have been subject to frequent or significant breaks, and will diversify its sources of water.

North Mercer proposes to finance the proposed construction from the proceeds of the issuance of \$1,547,000 of revenue bonds to Rural Development ("RD"), an

agency of the U.S. Department of Agriculture. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 3.625 percent per annum.

North Mercer has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1) and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and North Mercer or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

North Mercer's application met the minimum filing requirements of KRS 278.023 on May 13, 2011. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. North Mercer is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. North Mercer's proposed plan of financing is accepted.

3. North Mercer is authorized to issue \$1,547,000 of North Mercer Water District Waterworks Revenue Bonds, Series 2011A, at an interest rate not exceeding 3.625 percent per annum, maturing over 40 years.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in North Mercer's application.

5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, North Mercer may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in North Mercer's rates for service. North Mercer shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. North Mercer shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

7. North Mercer shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. North Mercer shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066,

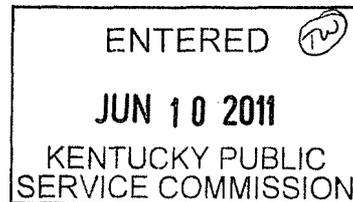
Section 5(1), North Mercer shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. North Mercer shall notify the Commission one week prior to the actual start of construction and at the 50-percent completion point.

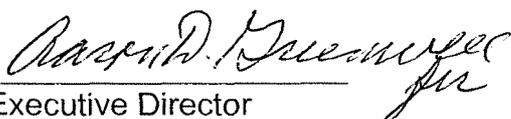
10. Any documents filed in the future pursuant to ordering paragraphs 5, 6, or 9 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

By the Commission



ATTEST:

  
Executive Director

Honorable W. Randall Jones  
Attorney at Law  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, KENTUCKY 40202

Roy Short  
Chairman  
North Mercer Water District  
P. O. Box 79  
Salvisa, KY 40372